

Message Text

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ORIGIN SS-30

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DRAFTED BY ARA/LA/BR:RJBALLANTYNE:TR

APPROVED BY THE SECRETARY

ARA:JBKUBISCH

ARA:WGBOWDLER

ARA/ECP:WEKNEPPER (DRAFT)

:B/ITP:MGLITMAN (DRAFT)

TREASURY:RSELF (DRAFT)

:B/OT/STA:JCRAWFORD (DRAFT)

S/S:MR. EALUM

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA IMMEDIATE

C O N F I D E N T I A L STATE 169605

EXDIS

E.O. 11652:GDS

TAGS:PFOR, BR, ETRD

SUBJECT: LETTER FROM THE SECRETARY TO THE BRAZILIAN

FOREIGN MINISTER

1. PLEASE PASS THE FOLLOWING LETTER FROM SECRETARY KISSINGER
TO FOREIGN MINISTER SILVEIRA AS SOON AS POSSIBLE:

2. BEGIN TEXT: DEAR ANTONIO: I WANT TO THANK YOU FOR YOUR
LETTER OF JUNE 27 ON THE SUBJECT OF EXPORTS OF BRAZILIAN
FOOTWEAR TO THE UNITED STATES AND BRING YOU UP TO DATE ON
DEVELOPMENTS SINCE MY LETTER TO YOU OF JUNE 25.

3. THE TREASURY DEPARTMENT IS NOW IN THE FINAL STAGES OF
ANALYZING THE INFORMATION GATHERED BY US AND BRAZILIAN
EXPERTS. IT WILL MAKE A DETERMINATION SOON AS TO THE EXIST-
ENCE OF BOUNTIES OR GRANTS AND, IF SO, WHAT THE AMOUNT OF
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COUNTERVAILING DUTY SHOULD BE. I UNDERSTAND THAT SECRETARY

SIMON WILL WRITE TO MINISTER SIMONSEN REGARDING THE ISSUES IN THIS CASE.

4. I HAVE CONTINUED TO DISCUSS WITH SECRETARY SIMON BRAZIL'S INTEREST IN THIS PROCEEDING. AS A RESULT OF THESE DISCUSSIONS, I HAVE REACHED THE CONCLUSION THAT A POLITICAL RESOLUTION OF THIS PROBLEM IS NOT POSSIBLE FOR A NUMBER OF REASONS: THE PERTINENT U.S. LEGISLATION IS MANDATORY, LEAVING THE TREASURY SECRETARY NO DISCRETION TO REFRAIN

FROM IMPOSING A DUTY IN THE EVENT HIS INVESTIGATION UNCOVERS A BOUNTY. PRIVATE U.S. COMMERCIAL INTERESTS HAVE RESORTED TO THE COURTS TO OBLIGE THE EXECUTIVE BRANCH TO TAKE APPROPRIATE ACTION UNDER THIS LAW. SECRETARY SIMON HAS GIVEN HIS PERSONAL, FORMAL COMMITMENT TO THE SENATE TO UPHOLD AND ADMINISTER THIS STATUTE IN AN EXPEDITIOUS MANNER. OUR PERFORMANCE IN THIS REGARD IS BEING MONITORED CLOSELY BY THE CONGRESS, AND OUR LEGISLATIVE ADVISORS ARE CONVINCED THAT THE PASSAGE OF THE TRADE REFORM ACT'S PROVISIONS DEALING WITH COUNTERVAILING DUTIES, WHICH WOULD MATERIALLY IMPROVE OUR ABILITY TO DEAL WITH THIS VERY TYPE OF PROBLEM, IS DEPENDENT UPON OUR SCRUPULOUS IMPLEMENTATION OF THE PRESENT LAW. LASTLY, THE ISSUE EXTENDS BEYOND US-BRAZILIAN TRADE RELATIONS, INVOLVING A NUMBER OF COUNTRIES IN THIS HEMISPHERE AND IN EUROPE, EFFECTIVELY REMOVING THE POSSIBILITY OF AN ISOLATED, BILATERAL POLITICAL SETTLEMENT.

5. UNDER THE CIRCUMSTANCES, IN MY JUDGMENT, THE ONLY PROFITABLE COURSE OF ACTION AT THIS TIME IS TO WORK TOGETHER IN THE TECHNICAL AREA IN AN EFFORT TO RESOLVE THE IMMEDIATE PROBLEM WITH THE LEAST DAMAGE TO OUR BILATERAL TRADE AND RELATIONS. IT IS A SOURCE OF SATISFACTION TO ME THAT THE TECHNICAL REPRESENTATIVES OF OUR GOVERNMENTS ARE NOW COOPERATING TO ACHIEVE THIS OBJECTIVE. ON MY PART, I WILL CONTINUE TO SEEK PASSAGE OF THE TRADE REFORM ACT WHICH SHOULD HELP ACHIEVE SOLUTIONS TO SOME OF THE PROBLEMS INHERENT IN THE COUNTERVAILING DUTY LAW, AND, AMONG OTHER THINGS, PROVIDE FOR A SYSTEM OF GENERALIZED PREFERENCES FOR IMPORTS FROM DEVELOPING COUNTRIES.

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6. I APPRECIATE FULLY THE IMPORTANCE OF THIS ISSUE, AND THAT IT HAS IMPLICATIONS EXTENDING BEYOND THE TRADE IN SHOES. I AM AWARE OF THE VITAL ROLE EXPORT EARNINGS PLAY IN BRAZIL'S DEVELOPMENT STRATEGY AND THE CONTRIBUTION A DYNAMIC BRAZIL IS MAKING TO THE STABILITY OF THE HEMISPHERE. FOR THIS REASON, I BELIEVE, OUR MUTUAL INTERESTS CALL FOR CONTINUED CLOSE COOPERATION ON THE

TECHNICAL LEVEL REGARDING THIS CASE. LET ME ASSURE YOU
THAT I WILL CONTINUE TO GIVE THIS ISSUE MY CLOSEST
PERSONAL ATTENTION.

7. WITH WARMEST REGARDS, HENRY. END TEXT. KISSINGER

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